

Multifamily Preservation & Revitalization

Capital Needs Assessments
Information Update

Iowa Finance Authority
2011 - Conference



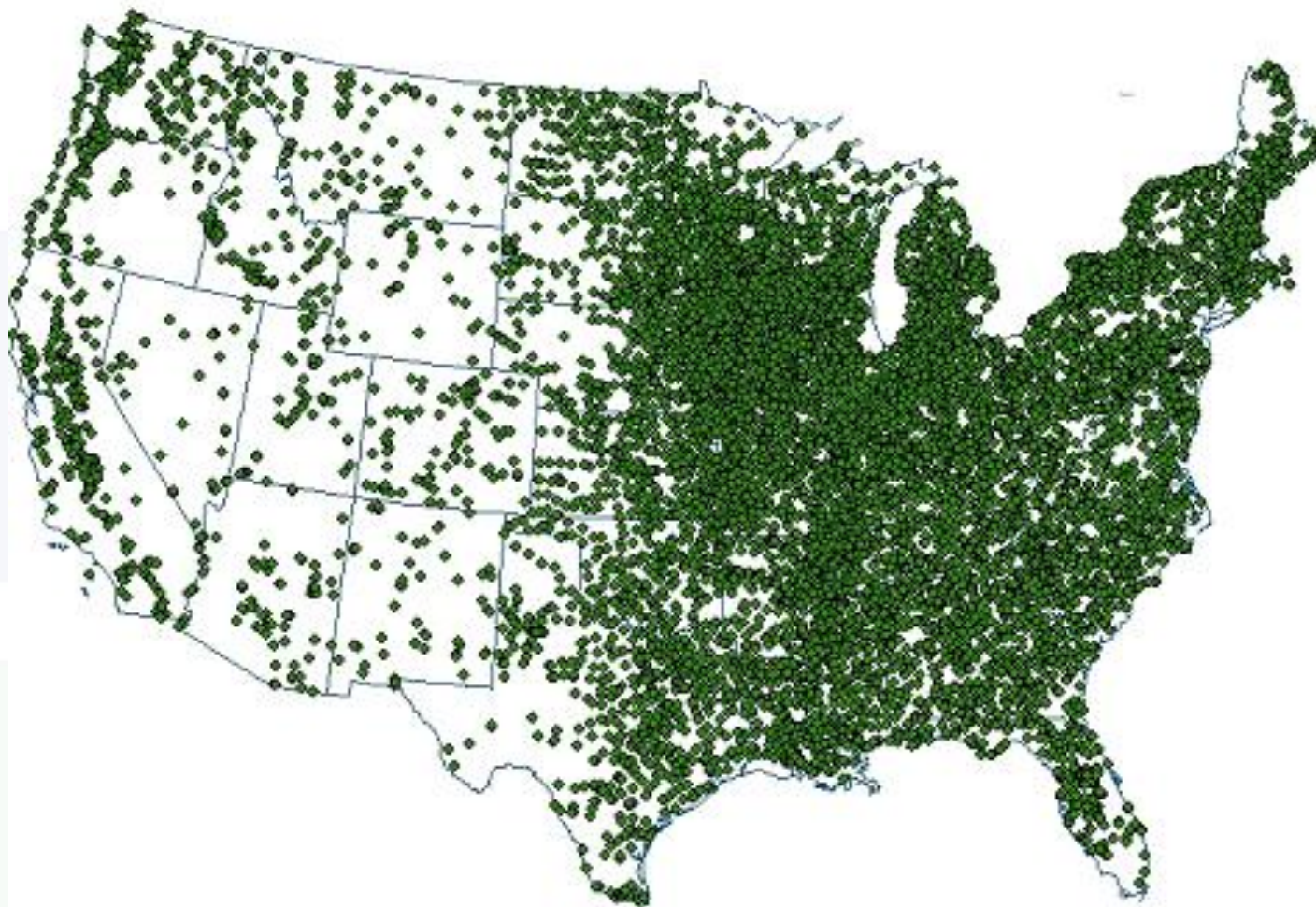
Committed to the future of rural communities.

Bill Downs
Architect, NO/PSS

Introduction

- Historical Context
- Costs of a CNA
- Update of a CNA (age related)
- Revisions of a CNA (decision related)
- Hot Topics – The Process

Multi Family Housing Property Locations



Existing MFH Portfolio

- Size of Portfolio:
 - 2003: 17,287 properties
 - 2008: 15,361 properties
 - (predominantly due to consolidations)
- Average Age of Property:
28 years

Costs of a CNA

FY2010: (data collection incomplete)

0-24 Units 267 projects

\$2652 average cost

25-48 Units 159 projects

\$3011 average cost

48+ Units 61 projects

\$3564 average cost

– (33 State Offices reporting to date)



Costs of a CNA

- Why? CNA Reviewers asked to determine if costs “reasonable”
- Process:
 - End of Fiscal Year request data from all State Offices, analyze it.
 - Provide summary data to all State Offices before NOFA, so available for next FY.
 - Map for each Team, with number of CNAs, average number of units, and average cost per State for comparisons

“Updating” a CNA (by Provider)

- From “annual” per UL on CNAs :
 - if CNA over one year old (from data of RD approval), “update” required
 - May “update” the existing CNA
 - CNA Provider would review project with owner (any changes) and review costs
 - Reprint with new date, provide new electronic copy to Agency
 - Include a statement in narrative that it is an update
 - Should be less cost than a new CNA
 - If more than 2 years since site visit, must include a new site visit

“Revising” a CNA (by RD)

- Policy
- “Updating” a CNA = CNA Provider changes to a CNA prior to underwriting
- “Revising” a CNA = Agency changes to a CNA during the underwriting process
 - As part of underwriting, the Agency may find it necessary to adjust timing, costs, or work to match the funds available
- Expect some confusion between the terms “updating” and “revising”
- RD should not request Provider “revise” – would no longer be independent

CNA “Hot Topics”

- NOFA issues
 - Points
 - Timing of the CNAs
 - Extras (energy, “green”, etc.)
- Selecting a CNA Provider
 - Competition requirements
 - “Low bid” vs “best qualified”
 - RD State CNA Provider list

CNA “Hot Topics”

- UL on CNAs to clarify who responsible to “revise” a CNA
 - Only says “by Rural Development” once
- CNA Contract
 - Include “RD Addendum”, please!!!
 - Indicate format will be “RD CNA Template” on
 - May be reformatted for new UL
 - Include cost of CNA (for our tracking purposes)

CNA “Hot Topics”

- RD Addendum
 - Status of Proposed CNA
 - Owner has commitment for 3rd party funds:
 - “as is” CNA to see present condition
 - Owner responsible for Scope of Work for rehab
 - CNA Provider then create post rehab CNA
 - Owner requested 3rd party funds:
 - consult with RD
 - Owner anticipates no 3rd party funds:
 - “as is” CNA
 - ***Note, no post rehab CNA without RD approval***

CNA “Hot Topics”

- The “Term”
 - USDA / RD uses 20 years
 - Fannie Mae term = mortgage + 2 years
 - What about items beyond the term?
 - Future “big ticket” items may “loom” in year 21
 - May be issue with rehabs in year 1
 - Beyond 20 years not caught / covered in this CNA
 - Anticipate another CNA in year 6-10, those items will appear then, revise reserve deposits then
 - Reserve Account balance in year 20 will mitigate

CNA “Hot Topics” – The Process

- Working with CNA Reviewers
 - Many “issues” between CNA Reviewers and Providers personalities
 - Hint: ask Owner if they’ve talked to RD....
 - Introductory call, discuss CNAs
 - State differences may be justified (state law)
 - Review of contract, draft CNA, and final CNA required
- Some Agency training issues:
 - “Probable costs” vs “rehab cost estimates”
 - CNA not an official repair schedule

CNA “Hot Topics”

- Inspecting crawlspaces and attics
 - UL on CNAs refers to ASTM standard
- Policy on items requiring additional testing / research and how to address those not clear at present
 - Mold, structural issues, asbestos removal, LBP issues, site grading, etc.

CNA “Hot Topics”

- Options as part of the contract
- Percent of units covered
- Accessibility
- To Rehab or not
- The results are an estimate

Contact Information

Bill Downs, Architect

USDA / RHS / PSS

William.downs@wdc.usda.gov

202-720-1499

<http://www.rurdev.usda.gov/rhs/mfh/MPR/MPRHome.htm>



Questions, Answers, Open Discussion

Thanks!

